

Montgomery  
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Urban  
Growth  
Policy

PEOPLE SYSTEMS

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APPENDIX B

URBAN GROWTH POLICY  
POPULATION, HOUSING, AND EMPLOYMENT ISSUES

Housing and employment considerations are central to our development of an Urban Growth Policy. The location of population and employment are in fact both stimuli and objectives of urban growth.

As a starting point it may be well to point out that for the United States the number of new households is increasing more sharply than the number of new people. It is estimated that the national fertility rate would have to stay at the zero population level for 75 years before our County as a whole would stop growing in population.

Governmental services is the fastest growth segment of our economy and of most other modern nations. In the absence of a firm national policy to decentralize federal employment, it is reasonable to expect that the Washington Metropolitan Area will continue to grow at a rate somewhat greater than that of the Country as a whole.

The Washington Council of Governments (COG) is planning a conference for September on urban growth. The question of whether the local jurisdictions should collectively attempt to influence federal employment and metropolitan growth will be a central issue on the regional level. Even assuming that metropolitan growth can and will be limited, a substantial amount of growth and new development is likely to occur. The form, timing, location, and impact of future growth will remain critical local issues for some time in the future.

ISSUE #1 - WHAT IS A BALANCED COMMUNITY IN TERMS OF HOUSING, EMPLOYMENT, AND FISCAL IMPACT.

STATEMENT OF PROBLEM:

The term balanced growth does not have a universal definition. It should be defined as explicitly as possible as an outgrowth of the Urban Growth Policy process. The question of balanced growth is far ranging and includes many interrelated factors. The County's physical development is one major area. How much of the County should be urban, suburban, or rural? What is balance among these physical areas within the County? Housing is another major factor in balanced growth. How many housing units should we have, where by what type, size, and price or cost? Housing helps determine not only the County's population size but also its composition by age, income, and race. Employment is a third major factor determining urban growth and balance in the County? Where should there be employment, how much, and what types? The answers to this area is complex and is obviously interrelated to the previously mentioned and also many other factors.

Overriding these and other factors which determine balanced growth is the fiscal area. What are the costs of providing the required services for a given level of future population? What are the costs of providing for growth in the up-county rural fringe versus the down-county urban area? What are the service levels to be planned for and upon which cost estimates developed? How can staged development contribute to a balance in local revenues and expenses?

What constitutes "balance" for Montgomery County as an organizational unit. What parameters should be considered in a regional or national context, such as, housing by race, housing by income, adequate levels of public services, job opportunities, etc.

ISSUE #2 - WHAT SHOULD BE THE POLICY GUIDELINES FOR SUB-AREAS BALANCE  
AND HOW SHOULD THEY BE DELINEATED FOR FISCAL EMPLOYMENT AND  
HOUSING EVALUATION PURPOSES.

STATEMENT OF PROBLEM:

This issue is related to the question of balance. The development of Montgomery County as a balanced community may in fact require that well defined differences exist between sub-areas. The General Plan itself stresses a dichotomy between urban and rural areas, low and high density sub-areas.

In the past we have often assumed at least implicitly that there should be a succession of land use from rural to suburban to urban, however, this notion is today being seriously debated. We are being asked to preserve the viability of older rural, suburban, and urban areas. What are the appropriate policies? Should there be separate housing and employment as well as land use policies? Different service levels and perhaps taxes, and staging of growth by geographic area.

Many of the schools in the urban areas of the County are under capacity. With the decline in family size it is likely that, even with housing life cycle shifts caused by the in movement of younger families, the schools will remain under capacity. Should increased densities and lower priced housing be encouraged in older areas where excess school capacity exists?

A most difficult question concerns the spacial unit to be used for analyzing whether an area has adequate public facilities, acceptable housing mix, etc. Several possibilities include:

- Site or Subdivision
- Planning Area
- Growth Forecast Area
- Employment District (based on an acceptable commuting distance to work for residents)
- Development Districts (based on provision of public facilities).

ISSUE #3 - WHAT ARE APPROPRIATE PUBLIC RESPONSIBILITIES WITH RESPECT TO HOUSING AND EMPLOYMENT GROWTH.

STATEMENT OF PROBLEM:

Previous public policies of designating land for specific residential uses through master plans has been inadequate to fully meet the objective of providing moderate income housing. Traditional land use controls, as developed and implemented over a long period in the past with various goals in mind, has conflicted with housing goals by tending to increase prices.

It is necessary to make explicit the interrelationship between existing or proposed development and housing policies. The selection of an alternative land use policy may imply the acceptance of a housing policy and in turn residency policy and vice versa. The price of housing is certainly one of the major factors which we will have to deal with in the development of an urban growth policy and its assessment in terms of the quality of life.

Perhaps policy objectives should be stated in terms of numerical targets. For example, the percentage of the resident labor force who worked in Montgomery County increased from 47.11% to 50.35% from 1960 to 1970. Should an attempt be made to increase this percentage to say 55% by 1980? Further, should employment be considered part of the infrastructure necessary for residential development to take place.

The establishment of the public's role with regard to housing and employment will necessitate the recognition of priorities.

For example, in terms of housing is the fulfillment of need more important than the specific locations of moderate priced units? What are the locational preferences of moderate income families and are these preferences economically feasible? As a partial solution to high housing costs, should the County encourage two worker households by providing additional day care centers?

In terms of employment is the absolute growth in new employment more important than the location in relation to potential employees? In the absence of moderate income housing alternatives, should potential employers of moderate income workers be discouraged from locating in Montgomery County?

Should population and employment allocations be developed which are based upon public policy? The current Growth Forecast is a projection of market trends. The forecast in a sense is an estimate of what is likely to occur in the absence of stated policies. Projections, however, have a way of being self-fulfilling prophecies. They are likely to be used in planning public facilities as well as in the market research by private firms who are planning for private investments.

ISSUE #4 - WHAT IS THE PUBLIC'S ROLE IN RELATION TO THE CONSTRUCTION INDUSTRY?

STATEMENT OF ISSUE:

The construction industry plays a critical role in the development of a balanced community. Over time the public has steadily increased its demands upon the construction industry. What is the public's responsibility toward the industry itself? Have we zoned enough land to allow for competitive conditions?

What is the appropriate balance between residential and non-residential construction? What policies can be developed to encourage an appropriate balance? The recorded value of non-residential construction as shown in Table I, indicates a substantial drop-off during 1971-72 as a percent of total construction. During the 1967-70 period, non-residential construction averaged 44.7 percent of construction activity, vs. 26.2 percent in 1971-72. Table II shows value of Montgomery County non-residential construction vs. the Washington SMSA. This also has dropped from 24.6 percent of total non-residential construction 1967-70 to 10.1 percent 1971-72. During the same time period, residential construction has maintained a constant share of the regional total at 27 percent. Clearly, the non-residential segment of recent construction activity in Montgomery County has not kept pace with previous years, the regional total, or the residential component of construction activity which has remained strong since 1970.

Some of the drop-off in non-residential construction may have been due to non-sewer related causes such as changed market conditions or a decline in governmental construction. However, when market conditions are conducive to construction, adequate sewer capacity must be available to assure that the necessary non-residential development takes place. This is particularly important in those areas of the County where it is known that significant non-residential developments are now in the planning stage such as the Central Business Districts of Friendship Heights, Silver Spring and Bethesda, the 70-S Corridor including Gaithersburg and Germantown, and the Nicholson Lane area.

TABLE I

Recorded Valuation of Total Authorized Construction and New Non-Residential Construction - Montgomery County 1961-1972.

<u>Recorded Valuation*</u>			
<u>Year</u>	<u>Total</u>	<u>Non-Residential</u>	<u>Non-Residential as % of Total</u>
1961	\$118.4	\$44.5	37.6
1962	157.8	75.0	47.5
1963	152.7	58.0	38.0
1964	160.8	51.8	32.2
1965	251.4	75.7	30.1
1966	214.1	61.9	28.9
1967	234.3	125.7	53.6
1968	161.4	65.4	40.5
1969	208.5	96.0	46.0
1970	216.9	84.1	38.8
1971	242.9	64.8	26.7
1972	274.3	70.9	25.8
Average 1961-66	175.9	61.2	35.7
Average 1967-70	201.4	92.8	44.7
Average 1971-72	258.6	67.8	26.2

\*In millions of dollars

SOURCE: U. S. Bureau of the Census, Construction Reports 1961-72 and  
Montgomery County, Division of Inspections and Licenses

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TABLE II

Number and Value of New Housing Units Authorized and Recorded Valuation of Non-Residential Construction, Washington SMSA, Montgomery County 1967-1972.

	<u>New Housing Units Authorized</u>			<u>Recorded Valuation*</u>					
	<u>SMSA</u>	<u>Mont. Co.</u>	<u>County as % of SMSA</u>	<u>Residential</u>		<u>% SMSA</u>	<u>Non-Residential</u>		
				<u>SMSA</u>	<u>Co.</u>		<u>SMSA</u>	<u>Co.</u>	<u>% of SMSA</u>
1967	26,037	7,125	27.4	\$327.6	99.9	30.5	\$356.7	125.7	35.2
1968	25,787	5,780	22.4	361.2	86.2	23.9	370.6	65.4	17.6
1969	25,515	5,862	23.0	375.6	92.7	24.7	406.3	96.0	23.6
1970	27,688	8,291	29.9	401.2	120.4	30.0	371.2	84.1	22.7
1971	37,722	10,554	28.0	577.2	164.7	28.5	583.2	64.8	11.1
1972	43,290	10,680	24.7	713.7	191.7	26.8	753.0	70.9	9.4
Average 1967-70	26,256	6,764	25.8	366.4	99.9	27.2	376.2	92.8	24.6
Average 1971-72	40,506	10,617	26.2	645.5	177.9	27.6	668.1	67.8	10.1

\*In millions of dollars

SOURCE: U. S. Bureau of the Census, Construction Reports 1967-1972.

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6/5/73

## ISSUE #5 - WHAT IS THE PUBLIC'S RESPONSIBILITY FOR THE PRICE OF HOUSING?

### STATEMENT OF PROBLEM:

Today the construction industry aided by appropriate zoning is providing a greater variety of housing types than at any time in the past. The range of choice includes townhouses, high-rise and garden apartments, and single-family detached homes. Yet, the "choice" is misleading since price varies less than housing type. In general, large luxurious homes are offered at high selling prices. Should developers be required to offer a diversified product mix with regard to housing prices? Should the County Government enter directly into the housing market or are there viable alternatives?

### The Lack of Moderate Income Housing

First of all it is important to recognize the historical fact of the prestige character of residential location in Montgomery County. The free market system places a premium (higher prices) on quality differences. While the high price of housing is significantly influenced by expensive land prices, inflation, and a high level of planning standards, the element of prestige reinforced by the quality of public services encourages developers to market expensive homes.

Should it be recognized as an economic fact of life that individuals of all income levels will have to pay a premium in terms of higher housing costs for residency in Montgomery County?

In addition to the prestige location of Montgomery County, we can state that the lack of moderate income housing is due to a general absence of market incentives and an overall metropolitan housing shortage.

### Absence of Market Incentives

There are additional market conditions which provide little incentive to produce moderate cost housing. The industry has to contend with cyclical trends which tend to increase risk and uncertainty. In addition to long-term demand cycles which are a function of overall population growth and age group movements, there are short-term fluctuations which are primarily caused by the availability of mortgage funds. Also, unpredictable occurrences like the present sewer moratorium encourage developers and their credit institutions to proceed conservatively.

## Overall Housing Problem

The problem of constructing moderate priced housing is really only part of a larger problem. The strong and sustained growth in the Washington Metropolitan Area has produced an overall shortage in the supply of housing in all price levels. An effective solution to the housing problem must address itself to the problem of efficiently meeting the expected population growth for all income levels in the Metropolitan Area. Any action which is aimed at relieving pressures on only one segment of the market is merely going to be a fragmentary and makeshift solution to the total problem. For example, while some contend that the solution to the MPDU problem could be achieved through the filtering down of the older housing supply, the present stock of used housing will continue to accelerate in price until new units are provided at the same or slightly higher quality and price level. This is because scarcity is the most significant element affecting market price, and there is an obvious shortage of housing for families at the middle in addition to the lower ranger of income.